



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 4, 2003

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **BOARD ORDERED RESPONSES TO COUNTYWIDE AUDIT
(ITEM NO. 13)**

On August 26, 2003, you directed the Auditor-Controller to coordinate the affected departments' response to KPMG's Single Audit and the Internal Control Report for the fiscal year ended June 30, 2002, and report back to the Board within 120 days. Attached are the recommendations from each report and the departmental responses.

We will continue to monitor the recommendation implementation as part of our established follow-up system.

JTM:DR:KVO

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Audit Committee
Public Information Office
Affected Department Heads

**BOARD ORDERED RESPONSES
KPMG SINGLE AUDIT AND INTERNAL CONTROL REPORT
FYE JUNE 30, 2002**

RESPONSES TO THE KPMG SINGLE AUDIT

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 02-01 – Suspension and Debarment

Programs Affected

Children’s Welfare Program: *Department of Health and Human Services (DHHS), Children’s Welfare Services Title IV B (CFDA #93.645).*

Adoption Program: *Department of Health and Human Services (DHHS), Adoptions – Administration and Assistance (CFDA #93.659).*

Family Preservation & Support Programs: *Department of Health and Human Services (DHHS), Family Preservation Program (CFDA #93.556), Family Support Program (CFDA #93.556).*

HIV Programs: *Department of Health and Human Services (DHHS), HIV Prevention Project (CFDA #93.940), HIV Emergency Relief Project Grant (CFDA #93.914).*

Mental Health: *Department of Health and Human Services (DHHS), Mental Health Services: Block Grant (CFDA #93.958).*

Compliance Requirement

Nonfederal entities are prohibited from contracting with or making subawards under covered contract transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g., subawards to subrecipients). Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principal owners have not been subject to suspension and debarment proceedings (45 CFR 75).

Situation Noted

The respective County departments do not obtain certificates of suspension and debarment nor do the County’s contracts contain specific language requiring federal suspension and debarment certifications from their subrecipients that receive equal to or greater than \$100,000. We noted that for 100% of the subrecipients sampled, 200 samples in total, that no subrecipient files contained a certificate of suspension and debarment.

We also noted that the respective County departments utilize an internal County website (which contains only contractors debarred from County of Los Angeles) to review contractor suspension or debarment, instead of the federal website (which contains all Federally Debarred Contractors).

Questioned Costs: None noted.

Recommendation

We recommend that the County department responsible for monitoring and obtaining certificates of suspension and debarment implement policies and procedures that require a signed certificate of suspension and debarment prior to authorizing a contract award. We also recommend that the County mandate a suspension and debarment clause in all County contracts with subrecipients/subcontractor vendors and for all contracts receiving individual awards of \$100,000 or more in federal and state funding. We further recommend that the County utilize the Federal Excluded Parties website (<http://epls.arnet.gov>), in addition to the internal County site to ensure that contractors engaged by the County have not been suspended from receiving federally funded contracts.

County Counsel Response

We concur that the County's health services, mental health, and public social services departments ("affected departments") must abide by 45 Code of Federal Regulations Part 76. Accordingly, we would agree that those departments should develop and implement policies and procedures whereby proposers on federally-funded contracts and sole source providers under federally-funded contracts be required to submit a certificate of suspension and debarment prior to any contract or sub-contract award. We will continue to explore the applicability of this requirement to sub-contractors given a proposed regulatory change on that issue. To assist the affected departments in implementing this new policy, we will prepare language, including a model certification, to use in all solicitations and with all sole source contractors prior to any contract awards.

We concur that the affected departments should include a suspension and debarment clause in all of their federally-funded contracts. While limiting the use of such a provision only to contracts of \$100,000 or more in value is all that the federal regulations require, we would suggest that the clause be required in all contracts, regardless of their value, so as to avoid confusion in using the contract provision. Again, to assist in implementing this new policy, we will prepare contract language, including a model certification, for the affected departments to insert into their existing contracts, as those contracts come up for renewal and/or amendment, and into contracts undergoing a solicitation or sole source award process.

We concur that the best practice would be for the affected departments to search the Federal Excluded Parties website prior to awarding a contract, whether through a solicitation or a sole source process. However, we would note that the federal regulations do not require this practice.

County Counsel currently is analyzing whether the provisions under development for the affected departments must be used by other County departments. We anticipate having that analysis completed in January, 2004.

Internal Services Department Response

ISD agrees with the recommendation and believes that the affected departments should work with County Counsel to implement it. ISD will work with County Counsel and will be discussing the recommendation with the County departmental contracting staff at the upcoming December 16, 2003, Countywide Contracting Network meeting.

Finding 02-02 – Subrecipient Single Audit Reports

Programs Affected

Foster Care: *Department of Health and Human Services (DHHS)*, AFDC – Foster Care – Administration & Assistance (CFDA #93.658), Probation IV-E Administration & Assistance (CFDA #93.658), Children’s Welfare Services Title IV-E (CFDA #93.658), Foster Family Licensing (CFDA #93.658), Group Home Month Visits – CWD (CFDA #93.658), Foster Parent Training (CFDA #93.658), Health Care Program Children in Foster Care (CFDA #93.658).

Family Preservation & Support Programs: *Department of Health and Human Services (DHHS)*, Family Preservation Program (CFDA #93.556), Family Support Program (CFDA #93.556)

Compliance Requirement

The County is responsible for monitoring the subrecipient’s activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, ensures that the required audits are performed, and requires prompt corrective action on any audit findings by the subrecipient (A-102 Common Rule).

Situation Noted

We noted that subrecipients are required to submit a copy of their Single Audit report to the County for each year in which the subrecipient receives more than \$300,000 in federal funding. Based on our review of fifty (50) Foster Care Program and twenty-five (25) Family Preservation and Support Program subrecipient files, we noted that none of the seventy-five (75) subrecipients submitted the required Single Audit report to the County. We also noted that the County does not have in place a procedure to penalize or otherwise sanction nonresponsive contractors.

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Subrecipients that did not submit required Single Audits were:

Foster Care

Affirmative Action Development Center	Murrell's Farm & Residential Boys Home
Allen's Teen Care, Inc.	Refugio Par Ninos
Angelica Group Home & FFA	Jeeb Children's Foundation
Antelope Valley Career Planning Center	Mainstream Foundation Group Home
Arika's Place Group Home	Liddell's Group Home
Booth Memorial Center Group Home	M.L. Webb Center
Calabasas Residential Treatment Center	Julius House Foundation
Caldwell Adjustment Center	Manna Manor Group Home
Castile Group Home	Mid Valley Youth Center
Chambadi Group Home	Inner Circle Foster Family Home
Carmichael Group Home	Ninos Latinos Unidos
Creative Learning Institute	Nueve Amanecer Latinos FFA
D&F Services (aka TTC)	Olive Crest FFA
Dubnoff Center	Penny Lane Group Home
East Valley Boys and Girls Club	Renaissance Unlimited
Eggleston Youth Center	Rosemary Children Services
Ettie Lee Homes for Youth	Refugio Para Ninos
Five Acres FFA	Sahara House Group Home
Futuro Infantil Hispano, FFA	South Bay Bright Future
Gay and Lesbian Adolescent Support Services	Sycamores, Inc.
Grace Home for Waiting Children	Touch A Life Foundation
Greater Hope Society	Turmont Home for Boys
High Aspiration Home for Teens	Unity Lodge Group Home
Holcombe Group Home	Westside Children's Group Home
Inglewood Group Home	Wilene's Re-Growth Center
	Williams Group Home

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Family Support:

Helpline Youth Opportunity
Santa Anita Family Services
Soledad Enrichment
Southbay Center for Counseling
Youth Intervention

Family Preservation:

Assistance League of So. CA	Five Acres FFA
Bienvenidos Children's Center, Inc.	Triangle Christina Services, Inc.
Boys and Girls Club of Baldwin Park	California Medical Center – Pico Union
Drew Child Development Center	Cambodian Association of America
Guidance Community Development Center	City of Long Beach
Joint Efforts, Inc.	El Centro Del Pueblo
Personal Involvement Center	Olive Crest FFA
Spirit Family Services	Helpline Youth Counseling
Plaza Community Center	Institute of Black Parenting
Shields of Families	Para Los Ninos

Questioned Costs: **None noted.**

Recommendation

We recommend that the respective Program Administration (PA) divisions enforce existing policies and procedures by imposing appropriate sanctions on subrecipients that do not submit their A-133 Single Audit reports in a timely manner. By implementing this recommendation, the PA can properly review the subrecipient's Single Audit reports for financial information and internal control or compliance findings. If subrecipients are determined to be noncompliant, the PA will then be able to implement sanctions and more closely monitor those subrecipients that are not taking appropriate corrective action.

Department of Children and Family Services Response

All DCFS contracts with subrecipients are required to be reviewed by the State and contractors will be held in breach if their A-133 Single Audit reports are not submitted to the State in a timely manner.

Implementation Date: Ongoing

Finding 02-03 – Subrecipient Monitoring – Follow-Up on Audit Findings and Questioned Costs

Programs Affected

HIV Programs: *Department of Health and Human Services (DHHS):* HIV Emergency Relief – Title I (CFDA #93.914) and HIV Prevention Project (CFDA #93.490)

Family Preservation & Support Programs: *Department of Health and Human Services (DHHS),* Family Preservation Program (CFDA #93.556), Family Support Program (CFDA #93.556)

Foster Care: *Department of Health and Human Services (DHHS),* AFDC – Foster Care – Administration & Assistance (CFDA #93.658), Probation IV-E Administration & Assistance (CFDA #93.658), Children’s Welfare Services Title IV-E (CFDA #93.658), Foster Family Licensing (CFDA #93.658), Group Home Month Visits – CWD (CFDA #93.658), Foster Parent Training (CFDA #93.658), Health Care Program Children in Foster Care (CFDA #93.658).

Compliance Requirement

The County is responsible for monitoring the subrecipient’s activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, ensures that the required audits are performed, and requires that prompt corrective action on any audit findings by subrecipients (A-102 Common Rule).

Situation Noted

HIV Programs: During our audit, we noted that the Care and Prevention Service Division along with the Contract Fiscal Compliance Unit of the County’s Department of Health Services do not monitor contract providers’ plans of corrective actions. Plans of corrective actions are required to be implemented by contract providers based on audit findings noted by the County. We understand that on-site visits for follow-up on corrective actions are usually performed the following fiscal year for programmatic findings and approximately three (3) years later for fiscal findings.

Family Preservation & Support Programs: Of the ten (10) Quality Assurance Division reviews performed on subrecipients during the fiscal year, we noted that seven (7) reviews included a corrective action plan. The following service providers did not provide corrective action plans:

- Bienvenidos Children’s Center Inc.
- Spirit Family Services
- Five Acres FFA.

Foster Care: During our audit of Foster Care Program subrecipient monitoring, we noted that the Quality Assurance Division of the County’s Department of Children and Family Services (DCFS) is responsible for the follow-up of any audit findings, corrective action plans, and the disposition of disallowed costs. We noted that the follow-up on audit findings, implementation of corrective action plans, and disposition of disallowed costs were not being performed on a timely basis. We specifically noted that twelve (12) reports from 1999-2000 had pending documentation items and repayment plans.

Questioned Costs: None noted.

Recommendation

We recommend that the County enforce established policies and procedures by performing the following:

- Require timely audits be performed and issued.
- Require timely monitoring of the provider's plan of corrective action.
- Outline a timeline for implementation of the corrective actions so that proper monitoring can be maintained and established.
- Reimbursements collected should be returned to the original federal awarding agency or applied against future year expenditures (with approval from the awarding agency).

Timely follow-up and disposition of audit findings are essential in ensuring compliance of program requirements. Additionally, nonimplementation of corrective actions could jeopardize the County's compliance with federal requirements and risk federal funding.

Department of Health Services Response

Implemented. Effective Fiscal Year 2003-2004, annual program monitoring visits are prioritized on the basis of the number and significance of findings contained in the prior year visit as well as concerns related to Plan of Corrective Action (POCA) implementation.

Effective April 2003, OAPP has revised the narrative section of the monthly report to require that subrecipients that are operating under a POCA report on progress made to implement the POCA, consistent with timelines identified in the POCA.

On August 14, 2003, the CCMD issued its modified policies and procedures, "Guidelines for Communication", to ensure timely audits are performed and issued in accordance with the Federal requirement for triennial audits.

Department of Children and Family Services Response

The Department of Children and Family Services will continue to resolve fiscal audit reports issued by the Office of the Auditor-Controller. We agree with KPMG that timely audits and follow up is necessary in order to correct problem areas and will continue to request timely reports from the A-C.

With regard to collected questioned costs, our Finance Department properly abates any collected costs and the appropriate share is returned to the State and/Federal agency.

Implementation Date: Ongoing

Finding 02-04 – Special Tests and Provisions – Relative/Nonrelative, Extended Family Member Foster Care Homes

Programs Affected

Foster Care Programs: *Department of Health and Human Services (DHHS), AFDC – Foster Care – Administration & Assistance (CFDA #93.658), Probation IV-E Administration & Assistance (CFDA #93.658), Children’s Welfare Services Title IV-E (CFDA #93.658), Foster Family Licensing (CFDA #93.658), Group Home Month Visits – CWD (CFDA #93.658), Foster Parent Training (CFDA #93.658), Health Care Program Children in Foster Care (CFDA #93.658).*

Compliance Requirement

In December 2001, the State informed the County of state law regarding the approval of relative/nonrelative, extended family member homes for the Foster Care program. Accordingly, the County issued County Fiscal Letter 01/02 – 61 that stated relative/nonrelative extended family member homes that do not meet the required licensing/approval standards for Title IV-E funding or State-only Foster Care funding should be charged to County-only funding.

Situation Noted

We noted during our test work that the County Department of Children and Family Services (DCFS) did not follow the federal guidelines to certify/license foster homes where the foster children were placed with relatives or extended family members. A certification/assessment of the family home was performed; however, not all required approval standards were documented by the County. We noted that of thirty (30) relative foster homes files selected for test work, twenty-six (26) homes did not have the appropriate documentation based on the federal requirements.

Questioned Costs: None noted.

Recommendation

We recommend that the County review all relative/nonrelative and extended family member foster care homes to ensure that all files have complete and adequate documentation meeting the required licensing/approval standards established by the federal government.

Department of Children and Family Services Response

The Department of Children and Family Services has completed the review of all relative/extended family files for appropriate approval documentation according to federal Adoption Safe Family Act (ASFA) requirements and AB 1695. Corrective action has been taken wherever indicated by the review.

Implementation Date: *Ongoing*

Finding 02-05 – Federal Award Information Identified to Subrecipients

Programs Affected

Foster Care Programs: *Department of Health and Human Services (DHHS)*, AFDC – Foster Care-Administration & Assistance (CFDA #93.658), Probation IV-E Administration & Assistance (CFDA #93.658), Children’s Welfare Services Title IV-E (CFDA #93.658), Foster Family Licensing (CFDA #93.658), Group Home Month Visits – CWD (CFDA #93.658), Foster Parent Training (CFDA #93.658), Health Care Program Children in Foster Care (CFDA #93.658).

Family Preservation & Support Programs: *Department of Health and Human Services (DHHS)*, Family Preservation Program (CFDA #93.556), Family Support Program (CFDA #93.556).

Compliance Requirement

In accordance with the OMB Circular A-133 Subpart B Section 400(d)(1), the pass-through entity is responsible for the identification of the Federal Award number information (e.g., CFDA title and number, award name, name of the federal agency) and applicable compliance requirements. The pass-through entity is responsible for the communication of this information to the subrecipient.

Situation Noted

During our review of the Foster Care and Family Preservation and Support Program subrecipient files, the County’s Department of Children and Family Services (DCFS) did not properly communicate the identifying Federal Award information to its subrecipients. According to our review of the seventy-five (75) subrecipient contracts, the program name, CFDA #, and name of the federal awarding agency were not identified on the contract.

Questioned Costs: None noted.

Recommendation

We recommend that the County mandate a Federal Award identification clause in all County contracts with subrecipients who receive federal and state funding. We further recommend that the County send out a letter at the end of the fiscal year to its subrecipients that would include the following:

- Amount of federal funding paid to subrecipient during the fiscal year
- Federal Award information (CFDA # and program number)
- A paragraph explaining the OMB Circular A-133 audit requirements and deadlines as to when the single audit report (if applicable) is due to the respective County agency.

Department of Children and Family Services Response

The Department of Children and Family Services is currently not required by L. A. County procedures and regulations to comply with this recommendation. State regulations require A-133 audit report on all DCFS contract with subrecipients, to be sent to the State.

Implementation Date: Not applicable

Finding 02-06 – Adoption Assistance Payment Rates

Programs Affected

Adoption Program: *Department of Health and Human Services (DHHS), Adoptions – Administration and Assistance (CFDA #93.659)*

Compliance Requirement

Assistance payments to adoptive families are calculated based on the state-approved rate schedule provided to the County. The rate the adoptive family is awarded is based on the age of the child and any special needs (i.e., medical conditions, and the like). The County is to ensure that the adoptive families are paid the correct approved rate in accordance with the state rate schedule (42 USC 673(a)(2)).

Situation Noted

During our procedures performed over adoption assistance payments, it was noted that one (1) out of the twenty-five (25) children files selected for test work did not receive the approved monthly rate resulting in an underpayment to the adoptive family during the fiscal year of \$451.

We understand that the rate changes are reevaluated at the time the children's files are reassessed, which is every two years. Therefore, any rate increases due to cost-of-living adjustments or increases/decreases due to the child's age change that occur within the two-year reassessment period may not be addressed in a timely manner.

As part of the reassessment process, the rate of the child is reviewed for appropriateness.

If the rate is determined to be below the approved monthly rate due to a cost-of-living adjustment, the County will retroactively apply the correct rate and pay the adoptive family the retroactive amount owed at the time of assessment. Due to this biannual reassessment policy, the adoptive family may not receive the needed additional funding for the child for up to two years.

- a. If the rate is determined to be below the approved monthly rate due to the child's age, then the County will only increase the child's rate when a request is made by the adoptive family. The County will only apply the new rate prospectively from the date of the request.
- b. If the rate is determined to be above the approved monthly rate due to the child's age, then the County will reduce the monthly rate prospectively but not adjust or collect the prior overpayments to the adoptive family. Since these payments are charged to a federally funded program, any overpayments of the approved rate would be unallowable costs. We also noted that there is no communication of the overpaid amounts between the Revenue Enhancement division and the Fiscal Services division, so that the Fiscal Services division can make adjustments to their monthly assistance payment reports for these overpayments.

Questioned Costs: None noted.

Recommendation

We recommend that the County reassess its current policies over adoptive family payments to ensure that rate increases and decreases are adjusted (as appropriate), as accurately and timely as possible to ensure that the adoptive families are paid in accordance with state guidelines and that federal programs are not charged for overpayments to recipients.

We also recommend the following programming changes to ensure that the correct rate is updated to the system:

- Cost-of-living adjustments should be updated in the County's payment system as they are awarded; not every two years, when the children's files are reassessed.
- The Revenue Enhancement division should establish a system to compile and communicate overpayments to Fiscal Services division to ensure that any overpayments are adjusted from the federally funded program.

Department of Children and Family Services Response

The Department of Children and Family Services agrees with this recommendation and continues to work on the re-design for the Adoptions Assistance Payments system. Information Technology Services has encountered some systemic problems during the process of completing the draft proposal and, therefore, the target date for completion has been revised.

Revised Target Implementation Date: June 2004

Finding 02-07 – Special Tests and Provisions – CalWORKS Program Sanctions

Programs Affected

CALWORKS Programs: Department of Health and Human Services (DHHS), CALWORKS Administration TANF (CFDA 93.558), Cal Learn Services Administration (CFDA 93.558), CALWORKS FG/U Assistance (CFDA 93.558), CALWORKS Services (CFDA 93.558), CALWORKS Evaluation (CFDA 93.558), Adult Protective Services (CFDA 93.558), CALWORKS Legal Immigrants (CFDA 93.558), CALWORKS Diversion – Federal (CFDA 93.558), CALWORKS Performance Incentives (CFDA 93.558), EA Foster Care Administration and Assistance Title IV-A (CFDA 93.558), KINGAP Administration and Assistance (CFDA 93.558), CALWORKS Fraud Incentives (CFDA 93.558).

Compliance Requirements

The County may not reduce or terminate assistance payments for the single custodial parent caring for a first-born child until the child reaches the age of one-year old, or for a second or subsequent-born child until the child reaches six months of age (42 USC 607(e)(2) and 609(a)(11); 45 CFR 261.15, 261.56, and 261.57).

The County must reduce or terminate the assistance payments to the family for refusal to work subject to any good cause or other exemptions established by the State. The County requires its participants, that are not working their required minimum number of hours per week, to participate in the County's Greater Avenues of Independence (GAIN) program (42 USC 609(a)(14); 45 CFR Sections 261.14, 261.16, and 261.54).

The County must deduct an amount not less than 25% from the CalWORKS assistance that would otherwise be provided to the family of the individual, and may deny the family any CalWORKS assistance for any individual that is not cooperating with the State in establishing paternity, or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for CalWORKS (42 USC 608(a)(2) and 609(a)(8); 45 CFR Sections 264.30 and 264.31).

Situation Noted

During our audit of the CalWORKS program, we noted the following:

- One (1) out of twenty-five (25) cases selected for Refusal to Work – Inability to Obtain Childcare test work was incorrectly sanctioned. We noted that the parent had a valid exemption not to work because the parent's third child was under six months old. For three months, the family was paid benefits for one person but should have been paid benefits for two people.
- Two (2) out of twenty-five (25) cases selected for Refusal to Work test work were not appropriately sanctioned. We noted that one participant was paid benefits in February 2002 but was not working or participating in the County's GAIN program, as required by the CalWORKS program. The family was paid benefits for two parents and two children, but should have only been paid for benefits for one parent and two children. In the second case, we noted that the participant was paid four months of full benefits when the participant no longer had any valid exemptions for refusal to work.
- Eleven (11) out of the twenty-five (25) cases selected for Child Support Non-Cooperation test work were not sanctioned the required 25% of the total family benefit for non-cooperation with the County's CalWORKS Program. We noted that cases included late sanctions by the County and a lack of documentation showing full cooperation, thus overpaying the participants for months that the participant should have been sanctioned.

Questioned Costs: \$8,823.

Recommendation

We recommend that the County review its existing procedures over the evaluation of Refusal to Work case files to ensure that benefits are appropriately reduced for refusal to work or nonparticipation in the County's GAIN program. Qualifying exemptions for refusal to work should be fully evaluated and assessed on a timely basis so that appropriate assistance payments are made to its participants. Additionally, the County should ensure that benefits are properly sanctioned for child support non-cooperation and that sanctions are timely and appropriately removed when evidence of full cooperation is obtained.

Department of Public Social Services Response

DPSS concurs with both parts of the Single Audit recommendation. In response to the first part of this recommendation, DPSS will develop a control system to ensure that GAIN sanctioned participants who become eligible for an exemption are granted the exemption and supplemental benefit payments are issued.

Target Implementation Date: April 30, 2004

For the second part of the recommendation, DPSS developed a child support curriculum to include reinforcement training for eligibility staff on how to correctly impose and remove sanctions/penalties. Training to affected eligibility staff was completed July 31, 2003.

Implementation Date: July 31, 2003

Finding 02-08 – Procurement of Contracted Foster Care Services

Programs Affected

Foster Care Programs: *Department of Health and Human Services (DHHS), AFDC – Foster Care – Administration & Assistance (CFDA #93.658), Probation IV-E Administration & Assistance (CFDA #93.658), Children’s Welfare Services Title IV-E (CFDA #93.658), Foster Family Licensing (CFDA #93.658), Group Home Month Visits – CWD (CFDA #93.658), Foster Parent Training (CFDA #93.658), Health Care Program Children in Foster Care (CFDA #93.658).*

Compliance Requirement

To provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of the A-102 Common Rule, and that no subawards, contract, or agreement for purchases of goods or services is made with any debarred or suspended parties.

Situation Noted

Of the thirty (30) contractors selected for review, the following documentation was not present in the respective contractor file as required for County approval of Foster Care Services:

- 19 of the 30 files selected contained no documentation of the appropriate Community Care Licensure
- 19 of the 30 files selected contained no documentation of the contractor’s not-for-profit status approval (i.e., 501(c)(3) ruling)
- 2 of the 30 files selected contained no Secretary of State search letter
- 1 of the 30 files selected contained no Fictitious Business Name Statement
- 29 of the 30 files selected contained no documentation of General Liability insurance coverage or the required additional Endorsement Certificate
- 29 of the 30 files selected contained no documentation of the contractor’s workers’ compensation insurance status

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- 29 of the 30 files selected contained no State-Approved Rate Letter
- 21 of the 30 files selected contained no Board Resolution
- 21 of the 30 files selected contained no Confidentially Agreement
- 5 of the 30 files selected contained a contract executed in another name other than the contractor's Corporate Legal Name.

Questioned Costs: None noted.

Recommendation

County contracts should only be authorized to approved Foster Care service providers as required by County policy. To maintain federal compliance over the procurement of Foster Care service providers, we recommend that the County improve its internal controls over the maintenance of contract files. It is imperative that all required documents noted above be obtained prior to issuing Foster Care service provider contracts. The procuring County division should consider a checklist to ascertain that all required documents have been obtained and properly filed.

Department of Children and Family Services Response

The Department of Children and Family Services (DCFS) concurs that it is good practice to ensure all required paperwork is obtained prior to finalization of a contract or renewal of a contract. DCFS has incorporated checks and balances in the review of documentation submitted at the time of proposal/bid submission, including State issued licenses and insurance documentation, prior to the filing of Board Letters to obtain delegated authority for the DCFS Director to enter into contracts. However, the Department, with approval of the Board of Supervisors and their delegated authority, reserves the right to waive any specific documentation requirement.

Implementation Date: Ongoing

RESPONSES TO THE KPMG INTERNAL CONTROL REPORT

DEPARTMENT OF HEALTH SERVICES

Insurance and Self Pay Accounts Receivable Valuation Methodology

Observation

The valuation method of revenues and accounts receivable for insurance and self-pay patient accounts is based on the total insurance and private pay amounts actually collected for the first 90 days of the following fiscal year. Our discussions with management confirm that this method has not been evaluated recently for reasonableness with regard to comparison with actual amounts outstanding at year-end for each financial class of receivables.

Using the described method could result in an over or under accrual of the related revenues and accounts receivable. As there has been no recent evaluation of the method comparing to actual outstanding balances, net of appropriate bad debt and contractual adjustment, the possible misstatement is unknown.

Recommendation

Based on the observation and effect noted above, KPMG recommends that the County perform an analysis of this method for estimating private pay and insurance revenues and accounts receivable by comparing the resulting additional six month accrual to the actual balances existing in accounts receivable, net of the appropriate bad debt and contractual allowance to assure the method results in a reasonable estimate.

Department of Health Services Response

Partially Implemented. DHS Revenue Management worked with ISD and DHS contracted Outside Collection Agency (OCA) to produce Insurance and Self-Pay charge and collection data for Fiscal Year (FY) 2002-03, based on data entered by each hospital or the OCA. Since this was the first time this data was produced, there were some issues with the data such as accuracy, completeness, etc. Due to these issues, DHS did not accrue Insurance or Self-Pay revenue for FY 2002-03.

To ensure that DHS submits the Insurance and Self-Pay accruals for FY 2003-04, Revenue Management has developed a draft action plan to address the data issues and accrual methodology. A committee of both Revenue Management and Facility Finance staff will be formed to review, approve, and implement the action plan. This plan includes validating data, monitoring of collections, and reviewing the accrual methodology used in FY 2002-2003.

Target Implementation Date: June 2004

LAC/USC MEDICAL CENTER

Encounter Forms

Observation

We noted that Encounter Forms generated for the Nursing staff to ensure that the diagnosis, and the services and prescriptions are accurately recorded at the Outpatient Clinic reviews outpatient visits. However, such Encounter Forms are only reviewed as time permits and on a sample basis.

By not reviewing all Encounter Forms for accuracy and completeness, there is a risk that charges are not being properly captured, thereby resulting in the over/or understatement of patient service revenue and the related patient receivables.

Recommendation

Based on the observation noted above, KPMG recommends that the County consider mandating the review of all Encounter Forms for accuracy and completeness of the diagnosis, and services and prescriptions to ensure that patient service revenue and related receivables are properly captured.

Department of Health Services Response

Partially Implemented. We are currently compliant in those clinics where we have Medical Record coders abstracting directly from the Medical Record into Affinity. In addition, we are currently reviewing with current staff approximately 75% of the visits that require encounter forms. In September 2003 we hired 14 coders that graduated from the East Los Angeles College Board approved coding program. These additional staff will allow us to attain 80% review by October 2003 and 100% review of required encounter forms by May 2004. This is contingent upon the new staff performing at required standards and our ability to retain existing staff. Recruitment efforts are hindered due to the lack of qualified coder in the industry.

Target Implementation Date: May 2004

Observation

Nursing Managers are required to perform daily reconciliations of the Encounter Reconciliation Form, (which details, by clinic, the total number of patients scheduled, number of patients arriving, number logged out and not seen, patients logged out and seen and total encounters completed) to the Encounter Forms received to ensure that an Encounter Form was completed for all patients seen. KPMG confirmed with hospital management, that Policy #411 titled "Encounter Form Retention" was issued and effective April 2002 to establish the policy and guidelines to govern the retention and integrity of Encounter Forms. However, based on our review and discussion with hospital management, all clinics have not completely implemented the policy and are not following-up with discrepancies noted during the reconciliation process.

By not investigating the discrepancies on a timely basis, charges documented on the missing Encounter Forms are not being entered into the system, thereby resulting in the understatement of patient service revenues and related receivables.

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Recommendation

Based on the observation noted above, KPMG recommends that the County consider enforcing the control procedures to ensure that the reconciliation of the Encounter Reconciliation Form and the patient Encounter Forms is performed in a timely and effective manner in order to properly capture patient service revenues and the related receivables.

Department of Health Services Response

Implemented. The Encounter Form Reconciliation Report is run on a weekly basis by our Information Systems Department and provided to members of an oversight group made up of representatives from each of the ambulatory care areas and administrators. This report is used as a monitoring instrument that identifies outstanding Encounter Forms. The results are discussed at a weekly meeting of the oversight group. Based on the September 29, 2003 report, 97% of the encounter forms have been entered into the Affinity system. Policy and Procedures have been implemented for the reconciliation of the Encounter Form Reconciliation Report within seven (7) calendar days of the visit. The next goal of the oversight group is to monitor compliance of the seven day requirement. Please note, successful implementation is contingent upon being able to recruit and retain staff to perform this function.

Revenue Report Reconciliation

Observation

While there is evidence on the reports that reconciliations are being performed between the Affinity Revenue by Patient Type Report and the HBOC A/R Batch Total Report with respect to daily patient charges, we noted that there is no confirmation that unreconciled differences between the two reports are being resolved. While there is a procedure in place for notifying the appropriate department of the errors, there is no consistent documentation of follow-up that corrections have been made.

If patient charges are not accurately captured on a daily basis, patient services revenue may be materially misstated.

Recommendation

The reconciler of the Affinity Revenue by Patient Type Report and the HBOC A/R Batch Total Report should consistently document that proper follow-up procedures have been performed and that unreconciled differences have been resolved and any errors have been corrected.

Department of Health Services Response

Implemented. Procedures were implemented on April 1, 2003, to ensure that all unreconciled differences are properly followed-up, documented and corrected.

OFFICE OF AUDITOR-CONTROLLER

Fixed Assets Accounting System (FAAS System) Access

Observation

During our audit of the County, we noted that over 300 users of the Department of the Auditor-Controller have access to the FAAS. Although the County has policies in place authorizing only two users to access the system, the available access increases the risk of an unauthorized transaction from being performed.

Recommendation

We recommend that the Auditor-Controller delete access to users that do not require access to the FAAS system, and limit it to users that require access to perform their job function.

Department of Auditor-Controller Response

We agree with the intent of the recommendation and have fully implemented the recommendation in April, 2003.

The Auditor-Controller has restricted access through the main portal of FAAS by adding a password. The password has only been given to the users that require access to perform their job function.

Sale of Capital Assets

Observation

During our audit of the County's capital asset dispositions, we identified four (4) capital asset items sold during the year that were recognized as County Capital Assets at fiscal year-end. We understand that the documentation was either incomplete or was not submitted timely as to identify the assets' historical cost and therefore, record the transaction properly.

We also noted that the majority of the capital assets sold originated from the Sheriff's Department. In addition to submitting untimely information on the sale of capital assets to the Auditor-Controller's Office, we understand that the Sheriff Department also codes the sale of non-capital items incorrectly. The Auditor-Controller relies on the integrity of this information in the "Error Correction Report Acct Type 30 or 31" report to capture and record the proper accounting treatment.

Although, the proceeds of four (4) capital asset sales noted above were properly recorded, the corresponding assets related to the sales were not removed from the County records prior to the fiscal year-end.

Recommendation

We noted similar types of transactions in the previous year, as such, we suggests that the Auditor-Controller more aggressively pursue the resolution of capital asset deletions so that the proceeds obtained from the sales correspond to capital asset deletions. The County should enforce the procedures required by the County departments to properly record the sale or retirement of capital assets. Additionally, the County should consider training the Sheriff Department to correctly code the sale of capital assets. In order to comply with Government Accounting Standards Board Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," it is imperative that the County maintains accurate capital asset information.

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Department of Auditor-Controller Response

We agree with the recommendation and have fully implemented the recommendation in February, 2003.

The Auditor-Controller met with the Sheriff's Department and provided fixed assets training in February, 2003. In addition, the Auditor-Controller is actively working with the Sheriff's Department (and all other departments) to ensure the timely update of the fixed assets records when a sale or retirement occurs.

Capital Assets Reconciliation

Observation

During our audit of the County's capital assets, KPMG noted discrepancies between the County department records and the records maintained by the Auditor-Controller Accounting Division. According to the Auditor-Controller Accounting Division, the Capital Asset listings for Department of Public Work's Waterworks Fund and Department of Health Services' Hospital Enterprise Funds do not reconcile to Accounting Division's records of Capital Assets. This situation is primarily due to timing differences between when acquisitions and disposals of assets are recorded in the records of the Departments compared to when the Accounting Division is notified of the acquisition and disposal of the assets.

Recommendation

We suggest that Auditor-Controller Accounting Division make the necessary corrections/revisions to reconcile their Capital Asset depreciation records to department records. Prospectively, procedures should be implemented to ensure that both the County Departments and the Auditor-Controller Office record the same capital asset information.

Department of Auditor-Controller Response

We agree with the recommendation and expect to fully implement this recommendation by December, 2003.

The Auditor-Controller will work with the Departments of Health Services and Public Works to ensure that the fixed asset items and historical cost information are reconciled. The Departments of Health Services and Public Works have historically recognized and reported depreciation expense and accumulated depreciation in conjunction with proprietary fund reporting. The Auditor-Controller will work with these Departments to reconcile these longstanding balances with depreciation values that the Auditor-Controller is now centrally responsible for in accordance with GASB Statement No. 34.

County Hospital Audits

Observation

County Hospital facilities have fiscal audits performed by their respective internal audit divisions within the hospitals. However, there is little communication between the internal auditors and the Office of AIDS Programs and Policies (OAPP) Financial Services Division, regarding audit findings and corrective action plans submitted by the County Hospitals. As such the Financial Services Division is unaware of any findings related to the internal audits that might cause a disallowance of subrecipient expenditures.

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Recommendation

We recommend that the Hospital's internal audit division communicate all pertinent HIV program related fiscal findings and corrective action plans to OAPP Financial Services Division to help ensure that providers are in compliance with OAPP standards. Disallowed costs and payments to OAPP should be closely monitored to ensure timely payment and technical assistance to the provider to ensure prevention for future funding.

Department of Health Services Response

Not Implemented. In December 2002, CCMD submitted a fiscal year 2003-04 critical unmet needs budget request, including justifications that requested additional FTEs to provide Contract Monitoring functions throughout the department, including DHS Hospitals. As the critical unmet needs request represents an increase in Net Costs, additional staffing has not been provided to CCMD due to budgetary reductions. As a result, CCMD has not yet been able to perform audits of DHS hospital contracts.

The Department intends to resubmit a budget request for additional staffing to satisfy this unmet need. If approved, CCMD will conduct the audits of DHS hospitals and communicate all pertinent HIV program related fiscal findings and corrective action plans to OAPP. As with Community Based Organizations, OAPP will ensure that returned funds are forwarded to the appropriate awarding agency.

Target Implementation Date: July 2004

Unapproved Time Study Forms

Observation

During our single audit, we noted that three (3) OAPP time study forms were not signed, indicating a lack of authorization and review by the appropriate Department or Division Director.

Required signatures indicating review and authorization for the time study forms include the employee, immediate supervisor and their respective Director. Because employees work on multiple activities or programs, accurate time surveys are crucial in distributing salaries to the various Office of AIDS Programs and Policies (OAPP) programs.

Recommendation

We recommend that the OAPP enforce policies and procedures to address the proper review and authorizing signatures required for the time surveys. This will help ensure that personnel costs are properly allocated to various programs and more accurately reflect actual administration costs incurred to fund the program.

Department of Health Services Response

Implemented. OAPP policies and procedures have been reviewed and are in place. All time surveys are directly forwarded to OAPP's Financial Services Division for review and to ensure proper signature authorization.

Incomplete Fiscal Audits

Observations

- Department of Health Services Office of AIDS Program and Policies

We noted the following audit reports have not been finalized for the Office of AIDS Programs and Policies (OAPP):

- Aids Service Center – H209102, review date 99/00
- Common Ground – H210819, review date 99/00
- Altamed Health Services – various, reviewed 12/2/97
- Caring for Babies – H204480 & H205662, reviewed 4/26/99
- Cri-Help – H206900, reviewed 9/21/98

Policies and procedures dictate that all providers for the OAPP be audited on a rotating triennial basis. We also noted that the following providers were not audited within the last three (3) years:

- El Proyecto del Barrio
- Foothills Aids Project
- Minority Aids Project
- SouthBay Family Healthcare Center.

- Department of Public Works

We noted that the Department of Public Work's policy is to perform audits of federal funded projects. However, no audits have been performed for any of the FEMA program projects since the inception of the Public Work's Internal Audit Division, which was created several years ago.

- Department Children and Family Services

Policies and procedures require that Family Preservation Program providers be audited annually. However, we noted that the following providers were not audited within the last year:

- Helpline Youth Opportunity
- Santa Anita Family Services
- Soledad Enrichment
- SouthBay Center for Counseling
- Youth Intervention
- Assistance League of Southern California
- Cambodian Association of America
- City of Long Beach
- El Centro Del Pueblo

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- Olive Crest
- Helpline Youth Counseling
- Institute of Black Parenting
- Para Los Ninos
- Plaza Community Center
- Shields of Families
- Westside Children's Center
- Boys and Girls Club of San Fernando
- Childnet Youth & Family Services
- Human Services Association
- Institute of Maximum Human Potential.

Additionally, we noted that no fiscal or program audits have been conducted for the Family Support program by the Quality Assurance Division during the current year.

Recommendations

- Department of Health Services Office of AIDS Program and Policies

We recommend that the Contract Fiscal Compliance Unit reassess its policies and procedures to ensure that all providers are monitored every three years (according to current policy) and that reports are finalized in a timely manner in order to properly monitor the County's providers. Since providers are only audited every three (3) years and invoices are paid with minimal support, it is important that audits be performed and finalized.

- Department of Public Works

We recommend that the Internal Audit Division of Public Works establish a rotating schedule of internal audits to be performed on all Federal FEMA programs.

- Department of Children and Family Services

We recommend that the Quality Assurance Division reassess its policies and procedures to ensure that all providers are monitored each year (according to current policy) and to include Family Support Program providers into its annual audit rotation.

Department of Health Services Response

Partially Implemented. The Centralized Contract Monitoring Division (CCMD) has issued draft and/or final reports on six (6) of the providers noted in the above audit finding. We are also in the process of completing/issuing draft reports on three (3) additional providers. Audits have also been conducted for all providers noted in this finding that had not previously been audited by CCMD.

Target Implementation Date: December 2003

Please see below for details.

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- Aids Service Center – H209102, review date 99/00

CCMD began a new audit of the Aids Service Center on June 3, 2003. The Fieldwork was concluded on August 23, 2003. A draft report is currently in process with an anticipated issuance date of November 15, 2003. The new audit included a follow-up of issues identified in the 99/00 review.

- Common Ground – H210819, review date 99/00

The Draft report on Common Ground was issued on July 17, 2003.

- Altamed Health Services – various, reviewed 12/2/97

CCMD began a new audit of Altamed on May 20, 2003. The fieldwork was completed on June 30, 2003. A draft report was submitted for internal review on October 14, 2003. The new audit included a follow-up of issues identified in the 1997 review.

- Caring for Babies – H204480 & H205662, reviewed 4/26/99

The draft report for Caring for Babies with Aids was issued on July 16, 2003. The final report was issued on September 18, 2003.

- Cri-Help – H206900, reviewed 9/21/98

The draft report for Cri-Help was issued on October 10, 2003.

- El Proyecto del Barrio

CCMD began an audit of El Proyecto on July 15, 2002. The draft report is currently being revised due to the re-evaluation of the agency's internal financial records and systems. The anticipated draft issuance date is November 15, 2003.

- Foothills Aids Project

CCMD began an audit of the Foothills Aids Project on April 28, 2003. The draft report was issued on October 6, 2003.

- Minority Aids Project

CCMD began an audit of Minority Aids Project on May 14, 2003. The draft report was issued on August 18, 2003.

- South Bay Family Healthcare Center

CCMD began an audit of South Bay Family Healthcare Center on October 28, 2002. The final report was issued on September 15, 2003.

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Department of Public Works Response

KPMG's observation that Public Works has not performed any audits of the FEMA program projects since the inception of the Internal Audit Division several years ago is inaccurate.

During the disasters of the early 1990's, the Head of Internal Audit also served as the chairman of a disaster mitigation task force. During that period, the processes were developed to capture costs associated with disasters and to ensure claims complied with FEMA program requirements. Those procedures continue to be used to this day. Additionally, in 1997, Public Works' Internal Audit Group did complete a review of the department's compliance with the State's disaster grant guidelines. The scope of the audit covered our project management's effectiveness in preparing disaster claims.

Regarding the recommendations for performing audits, we partially agree with the recommendation. The Public Works Internal Audit Group already plans audits and projects to be completed during the upcoming year. FEMA projects have not been a part of the rotation due to other priority assignments. Additionally, to include FEMA audits on a rotating basis is not practical since there are only two declared disasters remaining to be audited by FEMA and most of the work/costs have already been incurred for those disasters. For future FEMA projects, however, we will perform audits to ensure compliance with FEMA program requirements.

Department of Children and Family Services Department Response

We concur with the intent of KPMG's recommendation, however, simply reassessing policies and procedures would not ensure that providers are monitored each year. Quality Assurance has continually requested additional staff every fiscal year to perform the required contract monitoring but such requests have not been granted. Quality Assurance will continue to request staff through the budget process to perform the requested reviews. However, Quality Assurance has had staff curtailments in this audit area and the Family Preservation Program auditing that was done in the past will now cease altogether.

Target Implementation Date: Budget Request December 2003

Prevailing Wages

Observation

During our single audit, we noted that the County's Public Works Department, Architectural and Engineering Division, did not maintain documentation of the reviews performed on certified payroll reports for the USC Medical Center Project.

Recommendation

We recommend that the Department of Public Works establish a formal review documentation procedure indicating that a review of construction contractor payroll has been performed. The procedure should consist of either review documentation of the payroll reports or individuals monitored or a signoff on the reports reviewed.

Department of Public Works Response

We disagree with this recommendation. The Department has a formal procedure that complies with our responsibility under the State Labor Code. In the specific example that was cited by KPMG, we required the contractor to comply with the Davis Bacon Act but FEMA's requirements for monitoring wages are deferred to the local jurisdiction. In this case, it is the State of California.

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In general, we require the contractor to comply with the Labor Code for prevailing wage and to submit payroll records that are certified. Certified payroll records are signed by contractor management confirming the company is paying employee wages in accordance with Section 1776 of the Labor Code.

The payroll records are kept with the project files and are used to substantiate any claims of labor violations by the workers, laborers, unions, or the Labor Commissioner from the State's Department of Industrial Relations Division of Labor Standards and Enforcement. As such, we feel the contractor certification and our wage requirements in each contract are sufficient to demonstrate compliance with State laws.

Review and Approval of Form 502 – MacLaren Center

Observation

Form 502 is a form that the County uses to track the days reimbursable from the Federal funds for Children Welfare Services at the MacLaren Center. For verification of the number of days the eligible child stays at MacLaren, the Form 502 is reviewed and signed by the Child's Social Worker and Supervisor. We noted that 14 of the 30 forms reviewed were not signed by the Child's Social Worker and 5 of the 30 forms did not contain the approval of the Supervisor.

Recommendation

We suggest that the County enforce the required review and approval process established to ensure that the number of days billed to the Federal program is accurate. Other additional control procedures may include a periodic check of the Form 502's to verify that the forms were properly reviewed and signed.

County Response

This recommendation is no longer applicable. The County closed the MacLaren Center in fiscal year 2002/2003.

County Expense Claim Report Signatures

Programs Affected

Observations

We noted that the Quarterly County Expense Claim (CEC) reports are required to have the Auditor-Controller and Program Director designated as the authorized signatories to the report form. However, other signatories were noted on the Claim report.

- DCFS County Expense Claim Reports

The reports selected contained signatures of Fiscal Staff personnel instead of the DCFS County Welfare Director.

- Department of Public Social Services County Expense Claim Reports

The reports selected contained signatures of Fiscal Staff Personnel instead of the County Welfare Director.

Recommendation

We recommend that the County submit a list of requested authorized signatories for CEC reports to the State for their approval. In the event that respective Program Directors may be unable to sign the CEC report, an authorized designated employee should sign their name along with an indication of “for County Welfare Director.”

Department of Children and Family Services Response

The Department of Children and Family Services agrees with the recommendation that the department should indicate “for County Welfare Director” when the authorized signature is other than the Director. The department has submitted to the State a current listing of authorized signatures to include the newly appointed Director.

Department of Public Social Services Response

DPSS agrees with the recommendation. DPSS is in compliance with the first requirement to notify the State of any changes in authorized signatories. Within the last fiscal year, three notifications were sent to the State as applicable, on August 19, 2002, January 27, 2003, and April 17, 2003.

Implementation Date: August 19, 2002

For the second part of the recommendation, the Department is also currently in compliance with the recommendation to have the authorized designated employee sign their name along with an indication of “for County Welfare Director.”

Implementation Date: September 30, 2003

Suspension and Debarment Certificates

Program Affected

Observation

During our single audit testwork, we noted that the Refugee Program and the Aging Programs contract files did not contain contractor suspension and debarment certificate. Additionally, we noted that the contracts did not contain specific language requiring Federal suspension and debarment certifications from their subrecipients that receive equal to or greater than \$100,000 prior to making subawards.

We also noted that the Department of Community and Senior Services utilizes the internal County website (which contains only contractors debarred from County of Los Angeles) to review contractor suspension or debarment, and does not utilize the Federal website (which contains all Federally Debarred Contractors).

Recommendation

We recommend that the Department of Community and Senior Services be responsible for monitoring and obtaining certificates of suspension and debarment implement policies and procedures that require a signed certificate of suspension and debarment prior to making the subaward.

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Department of Community and Senior Services Response

The Department requires each contract development unit to obtain signed certificates of suspension and debarment, which are to be maintained as part of the contract document. Part of the procedure for verifying the suspension and debarment status of subrecipients includes reviewing both County and federal websites to ensure that the contractors are compliant with this provision of their contract. We will ensure that all units comply by restating this policy to each unit manager. Additionally, we will require these managers to maintain file copies of the suspension and debarment listings to validate the information contained in the signed certifications.

Target Implementation Date: July 2004

Single Audit Reports

Observation

During our single audit, we noted that four Refugee Program subrecipients that received more than \$300,000 per year had not submitted copies of their Single Audit report to the County in the current year. The following subrecipients did not have a single audit report on file:

- Armenian Evangelical Social Services Center
- Catholic Charities of Los Angeles
- Jewish Vocation Services
- Los Angeles Unified School District.

Recommendation

We recommend that the Program Administration (PA) of the Refugee Program enforce existing policies and procedures by imposing appropriate sanctions on subrecipients that do not submit their A-133 Single Audit reports in a timely manner. By implementing this recommendation, the PA can properly review the subrecipient's Single Audit reports for financial information and internal control or compliance findings. If subrecipients are determined to be noncompliant, the PA will then be able to implement sanctions and more closely monitor those subrecipients that are not taking appropriate corrective action.

Department of Community and Senior Services Response

The Department has researched the situation noted by KPMG in their review of the Refugee Employment Program's subrecipient single audit procedures. This situation stated that four subrecipient A-133 Single Audit reports were missing; however, the Department had received these reports in November and December 2001 for fiscal year 2000. These reports were filed in a centralized unit responsible for collecting and following-up on outstanding audit reports.

The Department does enforce existing/established policies and procedures by imposing appropriate sanctions (i.e. suspension of future payments to subrecipients) on subrecipients that do not submit their A-133 Single Audit reports in a timely manner. Therefore, this recommendation is not applicable because such procedures have been in place and are adhered to by the centralized unit.

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Missing Form 594-G – CalWorks Program

Observation

During our single audit over the CalWORKS program we noted that twelve (12) of the thirty (30) participants files selected for testwork contained no County required form 594-G forms, either indicating that the participant has not cooperated and should be sanctioned or the participant has fully cooperated and that the sanction should be removed.

Recommendation

In order to ensure that the participant's are appropriately and timely sanctioned for child support non-cooperation, we recommend that the County review its existing procedures over required completion of form 594-G. Additionally, information and communications regarding participant files should be properly routed and filed for proper maintenance of participant's files.

Child Support Services Department Response

In October 2003, the Child Support Services Department (CSSD) reviewed its existing procedures over the required completion of the 594-G form. CSSD management re-trained co-locate staff on these procedures in October 2003. CSSD management is ensuring that all staff are aware of the existing procedures and are fully abiding by them, so that all participants are appropriately and timely sanctioned for child support non-cooperation. Additionally, CSSD will ensure that employees handling 594-G forms properly route them to DPSS staff.

Department of Public Social Services Response

DPSS agrees with the recommendation. Because the completion and routing of the 594-G form is not a DPSS function, we must defer to the Child Support Services Department who handles this process. To ensure the filing portion of the recommendation is addressed, DPSS will release a written reminder to eligibility staff reiterating procedures for filing the 594-G form in the participant's file.

Target Implementation Date: December 31, 2003

Schedule of Expenditures of Federal Awards

Observation

During the work performed on the County's Single Audit, we noted that the County's Schedule of Expenditures of Federal Awards included several programs that were reported with incorrect or outdated CFDA numbers. We also noted that several County Departments reported inaccurate expenditure information to the Auditor-Controller for inclusion in the Schedule of Expenditures of Federal Awards. Because the determination of the programs to be subjected to Single Audit procedures is based on the amounts expended by each program CFDA number, accurate reporting of federal expenditures and CFDA numbers are critical.

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Recommendation

To help streamline the data accumulation process, we suggest that in the future, each County Department attach the following documents to their expenditure report when reporting single audit information to the Auditor-Controller:

- Copy of the federal grant agreement indicating the CFDA number of the program, program name and award amount.
- Reconciliation between expenditures reported for the Schedule of Expenditures of Federal Award to the County's general ledger (CAPS), and to the program's fiscal reports sent to their awarding agency.

Implementation of these two documents in the grant reporting process will require each of the County Departments reporting federal expenditures to research and reconcile their own programs prior to submission of the final information to the Auditor-Controller.

Department of Auditor-Controller Response

We concur with the intent of KPMG's recommendation and have fully implemented the recommendation in September, 2003.

The Department of Auditor-Controller provided training to the grant coordinators on September 16, 2003, to emphasize the importance of reporting the correct CFDA number and reconciliation of the final expenditures to CAPS. The departments are responsible for maintaining a copy of the federal grant agreement and reconciling the expenditures to CAPS and to the program's fiscal reports.